



**Human Resources Division**  
P.O. Box 942718  
Sacramento, CA 94229-2718  
Telecommunications Device for the Deaf - 711  
(916) 795-3065 FAX - (916) 795-4001

May 12, 2006

#### **AGENDA ITEM 4**

**TO: MEMBERS OF THE PERFORMANCE AND COMPENSATION COMMITTEE**

- I. SUBJECT:** 2006 Salary Survey for Chief Executive Officer, Chief Actuary and Investment Management Positions
- II. PROGRAM:** Administration
- III. RECOMMENDATION:** Adopt one alternative for each executive position as presented in the 2006 Biennial Salary Survey report.
- IV. ANALYSIS:**

##### Background

Since the inception of the Board's executive compensation program, the emphasis has been upon pay for performance and review of compensation as an essential part of a formal performance review process. The Performance and Compensation Committee has, over the years, continued to explore and refine the elements necessary for a sound executive compensation program and to weigh their importance in recruiting and retaining executives with the requisite skills for the positions covered by the Board's salary setting authority (Chief Executive Officer, Chief Actuary, Chief Investment Officer, and investment management positions). Included in this ongoing review and refinement of the program is the completion of a biennial salary survey.

The Policies and Procedures state a salary survey of comparable executive positions will be conducted every two years. The last survey was conducted in April 2004. The attached salary survey report prepared by staff in conjunction with Watson Wyatt Worldwide, the Board's compensation consultant, was prepared in May 2006 and meets this policy provision. Alternatives for each position covered by the executive compensation program are provided for the Committee's consideration at the end of the report Pages 22 - 24.

**V. STRATEGIC PLAN:**

Under Goal V of the Strategic Plan, CalPERS is committed to sustaining a high performance work culture. This can be accomplished at the highest executive levels through the establishment of methods that provide broad flexibility in the recruitment, retention and compensation of key personnel.

**VI. RESULTS/COSTS:**

The establishment of a competitive compensation program for executives at the highest levels of the organization is critical to the success of CalPERS. The cost of any compensation changes that might arise from the recommendations in this item will be funded from existing resources.

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Chris O'Brien, Chief  
Human Resources Division

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Gloria Moore Andrews  
Deputy Executive Officer - Operations

Attachments